

District I
1625 N. French Drive, Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

MARBOB ENERGY CORPORATION P O BOX 227 ARTESIA, NM 88211
Operator Address
AAO FEDERAL #5 E-1-T18S-R27E EDDY COUNTY
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14049 Property Code 29793 API No. 30-015-32959 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	RED LAKE Q-GB-SA		RED LAKE GLORIETA YESO NE
Pool Code	51300		96836
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2129-2789' PERFORATED		3380-3658' PERFORATED
Method of Production (Flowing or Artificial Lift)	ARTIFICIAL LIFT	RECEIVED	ARTIFICIAL LIFT
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	EST. 50 PSI PRODUCING BHP	MAR 12 2004 OCD-ARTESIA	EST. 100 PSI PRODUCING BHP
Oil Gravity or Gas BTU (Degree API or Gas BTU)	38.5°		41.8°
Producing, Shut-In or New Zone	NEW ZONE		PRODUCING
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: N/A Rates:	Date: Rates:	Date: MARCH 10, 2004 Rates: 60 BOPD 80 MCFD 250 BWPD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 71 % 68 %	Oil Gas % %	Oil Gas 29 % 32 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☐
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐
Will commingling decrease the value of production? Yes ☐ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐
NMOCD Reference Case No. applicable to this well: R-11363 PRE-APPROVED POOL

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Brian Collins TITLE ENGINEER DATE 03/11/04
TYPE OR PRINT NAME BRIAN COLLINS TELEPHONE NO. (505) 748-3303
E-MAIL ADDRESS engineering@marbob.com

P.O. Box 1980, Hobbs, NM 88241-1980

Energy, Minerals and Natural Resources Department.

Free Lease - 3 Copies

P.O. Drawer DD, Artesia, NM 88211-0719

Santa Fe, New Mexico 87504-2088

1000 Rio Brazos Rd., Aztec, NM 87410

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
30-015-32959	51300	RED LAKE; QUEEN GRAYBURG SAN ANDRES
Property Code	Property Name	Well Number
29793	AAO FED.	5
OGRID No.	Operator Name	Elevation
14049	MARBOB ENERGY CORPORATION	3615'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	1	18-S	27-E		1650	NORTH	875	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p style="text-align: center;">39.79 AC. 40.00 AC. 40.20 AC. 40.41 AC.</p> <p style="text-align: center;">3610.1' 3627.8' 3607.7' 3617.9'</p> <p style="text-align: center;">875'</p>	<div style="text-align: center;"> <p>RECEIVED</p> <p>MAR 12 2004</p> <p>OCD-ARTESIA</p> </div> <div style="margin-top: 20px;"> <p>NAD 27 NME Y = 647033 X = 529494</p> <p>LAT. 32°46'43.91"N LONG. 104°14'16.37"W</p> </div>
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<p>OPERATOR CERTIFICATION</p> <p><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p>	
<p>Signature</p> <p>DIANA J. CANNON</p> <p>Printed Name</p> <p>PRODUCTION ANALYST</p> <p>Title</p> <p>MARCH 10, 2003</p> <p>Date</p>	
<p>SURVEYOR CERTIFICATION</p> <p><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p>	
<p>JANUARY 9, 2003</p>	
<p>Date Surveyed</p> <p>Signature & Seal of Professional Surveyor</p>	<p>L.A.</p> <p>03.11.0006</p>
<p>Certificate No. RONALD J. EIDSON 3239 GARY EIDSON 12641</p>	

Engineering Summary
Form C-107A
Application for Downhole Commingling

Marbob Energy Corporation
AAO Federal No. 5 (Unit E, Sec. 1-T18S-R27E)

Marbob Energy proposes to downhole commingle the San Andres (Red Lake Q-GB-SA 51300) and the Yeso (Red Lake Glorieta Yeso, NE 96836) in the captioned well. This proposal is identical to the downhole comminglings that Devon Energy has done offsetting the captioned wells (Orders R-11363, DHC-2390, DHC-2685, DHC-2701).

No crossflow will occur because this well will be rod pumped in a pumped down condition. The MJ State No. 1, when completed in the Yeso, will be used as a "typical" Yeso well. The MJ State No. 2, when completed in the San Andres, will be used as a "typical" San Andres well. The proposed zonal allocation is described below.

Yeso: Production declines exponentially at 84%/yr. for one year, followed by 35%/yr. for oil and 32%/yr. for gas. (Best engineering estimate using the production history of nearby Devon wells.)

Qi	= 90 bopd	d=84%/yr.
Q1yr	= 14 bopd	d=35%/yr.
Qel	= 1.5 bopd	assumed

$$EUR = \frac{-365 (90-14)}{\ln (1-.84)} + \frac{-365 (14-1.5)}{\ln(1-.35)} = 25.7 \text{ MBO}$$

Qi	= 140 mcf/d	d=84%/yr.
Q1yr	= 22 mcf/d	d=32%/yr.
Qel	= 5 mcf/d	assumed

$$EUR = \frac{-365 (140-22)}{\ln (1-.84)} + \frac{-365 (22-5)}{\ln (1-.32)} = 39.6 \text{ MMCF}$$

RECEIVED
MAR 19 2004
OCD-ARTESIA

San Andres: Production declines exponentially at 80%/yr. for one year, followed by 24%/yr. for oil and 20%/yr. for gas. (Best engineering estimate using the production history of nearby Devon wells.)

$$\begin{aligned} Q_i &= 145 \text{ bopd} & d &= 80\%/yr. \\ Q_{1yr} &= 29 \text{ bopd} & d &= 24\%/yr. \\ Q_{el} &= 1.5 \text{ bopd} & & \text{assumed} \end{aligned}$$

$$EUR = \frac{-365 (145-29)}{\ln (1-.80)} + \frac{-365 (29-1.5)}{\ln (1-.24)} = 62.9 \text{ MBO}$$

$$\begin{aligned} Q_i &= 180 \text{ mcf/d} & d &= 80\%/yr. \\ Q_{1yr} &= 36 \text{ mcf/d} & d &= 20\%/yr. \\ Q_{el} &= 5 \text{ mcf/d} & & \text{assumed} \end{aligned}$$

$$EUR = \frac{-365 (180-36)}{\ln (1-.80)} + \frac{-365 (36-5)}{\ln (1-.20)} = 83.4 \text{ MMCF}$$

$$\text{Yeso Oil} = \frac{25.7 \text{ MBO}}{25.7 + 62.9} = .29 = 29\%$$

$$\text{San Andres Oil} = 1-.29 = .71 = 71\%$$

$$\text{Yeso Gas} = \frac{39.6 \text{ MMCF}}{39.6 + 83.4} = .32 = 32\%$$

$$\text{San Andres Gas} = 1-.32 = .68 = 68\%$$

3 LEASES

June 2002

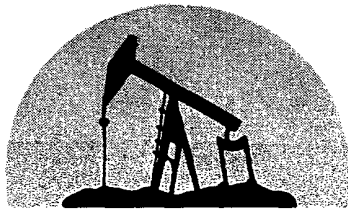
MONTH:

June 2002

ARCO 26 A			MJ STATE						
VTR	ELK HORN	GPM	TP	LP	Gas PREV	Gas EST	TOTAL	OIL	WTR
22		124	—	24.9	94	92	17474	30	—
70		130	—	24.5	96	90	17570	30	—
20		126	—	24.1	95	90	17666	32	—
113		130	—	24.7	96	103	17771	32	—
57		130	—	23.1	95	94	17862	28	—
25		126	—	25	94	93	17952	28	—
93		126	—	25	94	92	18043	26	—
200		126	—	25.3	95	93	18150	32	—
220		124		24.2	151	115	18302	85	—
115		124		25.1	189	203	18443	106	—
267		124		25.2	220	229	18414	140	—
178		120		25.9	233	234	18511	110	—
169		140		25.5	236	240	19193	98	—
217		124		21.5	238	249	19422	118	—
165		128		25.1	258	351	19686	127	—
309		130		24.1	266	264	19948	172	—
201		135		25.1	265	214	20234	182	—
235		135		26.0	264	265	20418	175	—
204		135		25.3	263	255	20752	177	—
199		135		21.0	251	229	20999	161	—
218		126		25.0	247	202	21236	174	—
300		135		25.5	250	241	21493	175	—
116		130		26.0	276	213	21781	174	540
113		130		26.0	282	212	22053	173	—
MJ St. #2 San Andres IP $\approx 175 \cdot 30 = 145$ BOPD									
$\approx 275 \cdot 95 = 180$ MCFD									
MJ St. #1 Yeso IP ≈ 90 BOPD									
≈ 140 MCFD (January 2002)									

Yeso Only (MJ St. #1)

Yeso (MJ-1) + San Andres (MJ St. #2)



marbob
energy corporation

March 11, 2004

Bureau of Land Management
2909 W. 2nd St.
Roswell, NM 88201

Attn: Mr. Armando Lopez

Re: Downhole Commingling Application
AAO Federal #5, Unit E, Sec. 1-T18S-R27E
Eddy County, New Mexico

Dear Mr. Lopez:

Enclosed is a copy of the downhole commingling application submitted to the NMOCD for the captioned well.

Please contact me at 505-748-3303 if you have any questions.

Sincerely,

Brian Collins
Petroleum Engineer

BC/dlw
enclosure